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IR, GM

SUBJECT: (S) IRAN - GERMAN EXPERTS WANT "HARD EVIDENCE" ON THE PROLIFERATION-RELATED ACTIVITIES OF BANKS MELLI AND MELLAT

REF: A. STATE 29098

[¶](#)B. BERLIN 424
[¶](#)C. BERLIN 211

Classified By: Acting EMIN Ingrid Kollist for reasons 1.4 (b) and (d).

[¶](#)1. (S) SUMMARY: German Finance and Economics Ministry officials, like their counterparts in the Chancellery and MFA, recognize the expediency of including Bank Melli in a post-UNSCR 1803 round of EU autonomous sanctions. However, experts in these ministries say they have not yet seen "convincing evidence" that Banks Melli and Mellat knowingly facilitated Iran's proliferation activities with the intent to evade UN sanctions. German officials continue to request more explicit evidence on the banks so that they will have the legal backing they need to step up their lobbying of other EU Member States. END SUMMARY.

[¶](#)2. (S) EconOff delivered ref A nonpaper during the week of March 24 to MFA International Economic and Financial Policy Desk Officer Claudia Schuett, Finance Ministry Director for Terrorism Finance and Financial Crimes Michael Findeisen, and Economics Ministry Foreign Trade Law Director Ursina Krumpholz. Each undertook to share the information within their respective ministries. Schuett asked whether the USG planned to share the nonpaper with other EU Member States beyond the EU-3 and expressed hope that the information would help to facilitate forward progress on UNSCR 1803 implementation and additional EU autonomous designations.

[¶](#)3. (S) In a follow-up conversation on April 3, Krumpholz reiterated previously expressed concerns (ref B) that the Economics Ministry had not yet seen "proof of conscious support of Iran's proliferation activities." Krumpholz explained that, from Germany's perspective, "facilitation" consists of two elements. First, the transaction must "objectively contribute" to a proliferation-related activity. Second, the facilitators must be aware of the proliferation-related element.

[¶](#)4. (S) Krumpholz insisted these considerations are even more important to Germany since the passage of UNSCR 1803. Unlike measures contained in UNSCRs 1737 and 1747, which have a preventive and administrative nature, Krumpholz said, under 1803 the UNSC can impose penalties on persons or entities that violate Iran-related sanctions. She insisted that German law treats such violations, even in cases of negligence, as a criminal offense. (NOTE: As reported ref B, MFA and Finance Ministry officials have told us that, in cases of negligence, German authorities can impose a civil

fine, which can be appealed in a court of law. END NOTE.)

¶15. (S) Krumpholz said the Economics Ministry had received a report from German intelligence services -- partially based on U.S. information shared through other channels -- summarizing the activities of Banks Melli, Mellat, and Saderat. Krumpholz said she had the impression from the report that German services were not convinced that there was sufficient information to conclude: (1) that Banks Melli and Mellat had intentionally engaged in facilitation of proliferation-related transactions, and (2) that the banks had a previous intent to evade 1737/1747 sanctions. Krumpholz argued that simply confirming a letter of credit does not in itself imply an awareness of the transaction's underlying proliferation context.

¶16. (S) In a brief conversation with EconOff March 27 on the margins of a meeting on a separate topic, Findeisen reiterated that the Finance Ministry supports the German Government decision to back EU autonomous sanctions against Bank Melli (ref C), but added that Finance Ministry experts still would like to see "hard evidence" that Banks Melli and Mellat had knowingly facilitated proliferation-related transactions.

¶17. (S) COMMENT: Officials in the Economics and Finance Ministries, like their counterparts in the MFA and the Chancellery, recognize the political expediency of including Bank Melli in a post-UNSCR 1803 round of EU autonomous sanctions. Providing German experts with the additional evidence they seek -- explicit proof that Banks Melli and Mellat knowingly facilitated proliferation-related transactions with the intent to evade UN sanctions -- would give them the legal backing they feel they need to lobby other EU Member States more assiduously.

TIMKEN JR